

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

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MidAmerican Energy Company	:	
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	:	Docket No. 13-0423
Application for Approval of its Energy	:	
Efficiency Plan Pursuant to Section 8-408	:	Docket No. 13-0424 Cons.
of the Public Utilities Act.	:	
	:	
Request for a Waiver of Ill. Adm. Code	:	
Sections 410.210(A)(3)(E) and	:	
500.330(A)(1)(B)(v).	:	

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**INITIAL BRIEF OF THE STAFF  
OF THE ILLINOIS COMMERCE COMMISSION**

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Staff of the Illinois Commerce Commission (“Staff”), by and through its undersigned counsel, pursuant to Section 200.800 of the Illinois Commerce Commission’s (“Commission” or “ICC”) Rules of Practice (83 Ill. Adm. Code 200.800), respectfully submits its Initial Brief in the instant proceeding.

**I. Background**

MidAmerican Energy Company (“MEC”, “MidAmerican” or the “Company”) is a multi-state jurisdictional utility that has offered electric and gas energy efficiency programs in Iowa since 2001. MidAmerican serves the bi-state area of the Quad Cities, which is a single metropolitan marketing area with substantial populations in both Iowa and Illinois.

On July 1, 2013, MEC filed its Verified Petition for approval of its five-year Illinois energy efficiency (“EE”) plan (“Plan”) as well as a determination of cost-effectiveness. Plan, at ¶ 4. MEC also filed direct testimony. This filing was docketed as Docket No. 13-

0423. Additionally, MEC filed a request (“Request”) for a waiver of Sections 410.210(A)(3)(E) and 500.330(a)(1)(B)(v) of the Illinois Administrative Code to continue to allow MidAmerican’s EE rider amounts to be added to the delivery charge on customer bills, rather than have the rider amounts appear as separate line items. *See generally*, Request. This filing was docketed as Docket No. 13-0424. On August 22, 2013, the Administrative Law Judge (“ALJ”) assigned to this proceeding held a preliminary hearing and established a schedule for the submission of pre-filed testimony and hearings. *Tr.*, Aug. 22, 2013, p. 4. Additionally, the ALJ granted Staff’s motion to consolidate the two dockets. ALJ Notice, Aug. 26, 2013, at 1.

At the August 16, 2013 evidentiary hearing, Jennifer Hinman, Economic Analyst in the Policy Division, testified on behalf of Staff. Mr. Charles B. Rea, Ms. Tina M. Yoder and Ms. Naomi G. Czachura, testified on behalf of MEC. The ALJ approved a briefing schedule and marked the record Heard and Taken. ALJ Notice, Sep. 23, 2013, at 1.

As the parties generally agree on MEC’s proposed Plan, and MEC has accepted Staff’s proposed modifications and recommendations to its EE Plan, Staff will not be briefing those issues. It is Staff’s understanding that MidAmerican will be filing a Draft Proposed Order that Staff has reviewed for the ALJ’s consideration on these issues. However, Staff opposes MEC’s request for a waiver and those reasons follow, below.

**A. Legal Standard**

Section 410.210, Information to Customers [Electric Utilities and ARES] states:

- a) Bills rendered to retail customers for service shall clearly show at least the following:

....

3) The total amount of the bill and, when applicable, the following portions that make it up, listed vertically for easy readability:

....  
E) any other applicable adjustments (other charges not under categories of charges but relating to services, energy, or other programs provided to customers by the entity);

83 Ill. Admin. Code Section 410.210(a)(3)(E) (emphasis added).

Section 500.330, Information to Customers [Gas Utilities] states:

a)  
1) Except as hereinafter set forth, bills rendered to customers for metered service shall clearly show at least the following:

....  
B) The total amount of the bill and those portions that make it up, listed vertically for easy readability:

....  
v) any other applicable adjustments (other charges not under categories [sic] of charges but relating to services, energy, or other programs provided to customers by the utility);

83 Ill. Admin. Code Section 500.330(a)(1)(B)(v) (emphasis added).

## II. Argument

MidAmerican provides the following reasons it requests a waiver of the Illinois Code:

- (1) The Commission waived this requirement in the past for MidAmerican's pilot energy efficiency programs in Docket Nos. 08-0107/08-0108 (Consol.).
- (2) Section 8-408 of the Act does not explicitly require the energy efficiency rider amount to be a separate line item.
- (3) MidAmerican's belief that customers may not participate in the energy efficiency programs if there is a separate line item charge because this could "cloud" their judgment.

- (4) MidAmerican's belief that customers may react negatively to seeing the charge on their bills.
  - (5) Customer satisfaction surveys associated with MidAmerican indicate that MidAmerican's energy efficiency program offerings are a positive element.
  - (6) To show the energy efficiency cost recovery as a line item on the bill after programs have been in place for five years would serve no useful purpose and would likely lead to customer confusion.
- (MEC Waiver Petition.)

In response to MEC's first argument, a one-time Commission granting of a waiver of this requirement in the past for the initiation of MidAmerican's pilot energy efficiency programs in Docket Nos. 08-0107/08-0108 (Consol.) is an insufficient reason to justify a Commission waiver in this docket. The Commission has approved numerous energy efficiency plans since the Commission granted that waiver to MidAmerican and all the other energy efficiency plans approved in Illinois since that time include an energy efficiency line item charge on customers' bills. Those plans have resulted in substantial (greater than MidAmerican) participation<sup>1</sup> without the perhaps dubious benefit of obscuring the cost of the EE program from its customers. (Staff Ex. 1.0, 19.)

Second, Section 8-408 of the Act neither explicitly requires nor explicitly prohibits the energy efficiency rider amount to be a separate line item charge on customers' bills. Other statutes in Illinois (e.g., 220 ILCS 5/8-103; 220 ILCS 5/8-104) concerning energy efficiency also do not explicitly require energy efficiency rider amounts to be a separate line item, yet the Commission has approved the energy efficiency rider amounts as a

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<sup>1</sup> For example, the Commission approved an energy savings goal of 1% of forecasted kWh energy deliveries for ComEd in Docket No. 10-0570, while MidAmerican's current proposal consists of energy savings goals which are all less than 1% of forecasted energy deliveries (See Table 2 of Staff Ex. 1.0).

separate line item on customers' bills for all the other Illinois utilities. Further, Commission Administrative Rules specifically require "other charges... relating to services... or other programs provided to customers by the utility" (such as the energy efficiency programs) to be a separate line item. See *e.g.*, 83 Ill. Admin. Code Section 410.210(a)(3)(E); 83 Ill. Admin. Code Section 500.330(a)(1)(B)(v). Id.

In response to MEC's third argument, MidAmerican's Petition states that customers may not participate in the energy efficiency programs if there is a separate line item charge because this could "cloud" their judgment. In response to a data request, MidAmerican clarified that it is hopeful that showing energy efficiency costs as a separate line item on the bill would not reduce customer support for and participation in its energy efficiency programs, but it does believe there is some risk that it would. (Staff Ex. 1.1, 18.) Contrary to MidAmerican's concerns, a monthly reminder of the energy efficiency programs on customers' bills may in fact raise customer participation in the energy efficiency programs. The line item energy efficiency charge will increase program awareness and ultimately participation in the EE programs. MidAmerican's customers have even indicated that EE program awareness is lacking. (Staff Ex. 1.5, at 6-23 (206).) Currently, MidAmerican is only planning to advertise the energy efficiency website quarterly on customer bills. (MEC Ex. 1.0, 16.) Having a line item charge on customers' monthly bills could significantly increase customer awareness and participation in the EE programs. Price is a very effective communicator and setting forth the EE amounts on customers' bills would directly communicate with customers what they are paying and what it is for. If customers are explicitly told what they are paying for energy efficiency, they may become more interested in participating in the EE programs. If they find out what they are paying for it, they may try

to get as much out of it as they can by participating in the various EE program offerings. (Staff Ex. 1.0, 19-20.)

Fourth, MidAmerican believes customers may react negatively to seeing the charge on their bills. Staff's opinion is that any negative reaction can be mitigated by proactively explaining the basis for the separate charge. MidAmerican has previously included such explanations in customer bills related to new line item charges. (Staff Ex. 1.1, 13, 15.)

In response to MEC's fifth argument, customer satisfaction surveys associated with MidAmerican indicate that MidAmerican's energy efficiency program offerings are a positive element. It should be noted that MidAmerican's energy efficiency program offerings will continue even with the addition of a separate line item charge on customer bills. It is inappropriate to hide from customers the charges for energy efficiency that they are paying. A customer should be able to look at the bill and determine both the rate and the dollars that they are paying to MidAmerican for energy efficiency, as well as other relevant components of their bill. (Staff Ex. 1.0, 21.)

Further, MidAmerican believes that to show the energy efficiency cost recovery as a line item on the bill after programs have been in place for five years would serve no useful purpose and would likely lead to customer confusion. It should be noted that confusion can only occur if customers were oblivious to the fact that they have been paying for these EE programs all along. Now that some of MidAmerican's Illinois customers are aware of the benefits of energy efficiency, and some experienced benefits directly through participation in the EE programs, customers should be able, like other Illinois utility customers, to handle the truth: the benefits of EE are not costless. However, customer confusion caused by the revelation that energy efficiency is not free can be

minimized through customer education. MidAmerican could simply include a brochure or insert in customers' bills explaining the change. Indeed, some of MidAmerican's EE programs were advertised in the rate change brochure in April-May 2010 and April-May 2012. (Staff Ex. 1.1, 12-14.) One of the rate changes explained in that brochure was a new line item charge, which is the same type of charge at issue in this case. (Staff Ex. 1.1, 13-15.) It would be beneficial to advertise the new energy efficiency programs as well in such brochure in order to generate widespread awareness upon kick-off of the new programs. In addition to explaining the reason for the new charge appearing on the bill, this would be an opportunity to encourage those customers who have not taken advantage of MidAmerican's EE programs to become more interested in doing so. When a customer realizes that they are paying for something, the motivation to participate is stronger. (Staff Ex. 1.0, 21-22.)

MidAmerican and Staff agree that showing the EE rider amount as a separate line item on customer bills would make the amount being charged for energy efficiency programs transparent to customers. (Staff Ex. 1.1, at 16, MEC Resp. to Staff DR JLH 1.05.) However, MidAmerican contends that customers would not appreciate or find much use in such transparency. Staff disagrees. MidAmerican states:

While showing the energy efficiency rider as a separate line item on customer bills would make the amount per kWh or therm a customer is being charged for support of energy efficiency programs "transparent," MidAmerican is skeptical that such "transparency" serves a useful purpose. This element of the customer bill would remain the same whether a customer takes competitive service from a RES or bundled service from the utility, so there is no competitive reason to highlight this element of the customer's bill. It would increase "transparency" if any number of utility costs were shown separately on customer bills, but that doesn't mean it is a good idea. It would certainly be more "transparent" to inform customers how much they pay for customer



service, services lines, distribution lines, substations, other taxes, income taxes, regulatory costs, etc., but it would likely not add to customer understanding. In fact, our customers have told us they prefer their bills to be more simplified, not more complicated. MidAmerican sees no reason energy efficiency program costs should be treated differently from other utility expenses, and is concerned that those who seek to single them out for different treatment may be attempting to undermine public support for energy efficiency programs.

(Staff Ex. 1.1, 16.) It should be noted that informing customers of how much they pay for distribution lines and substations is not analogous to informing customers of what they pay for energy efficiency. Customers can increase participation in energy efficiency programs and reap direct benefits from the energy efficiency programs based on that participation. Telling customers what they are paying for, and informing them of the opportunities that they have to participate in programs that may be beneficial to them, are important parts of the communication function that monthly bills should provide. Given the fact that EE programs are vastly different from the general provision of electric and gas service (e.g., energy efficiency is not necessary to provide electric and gas service), and provide savings directly to participating customers, it is essential that the appropriate information be conveyed to customers. Electric and gas rates provide price signals and it is essential that monthly bills communicate accurately for energy efficiency service as well. (Staff Ex. 1.0, 22-24.)

MidAmerican has provided energy efficiency programs in Illinois since 2008. While MidAmerican appears satisfied with the customer participation levels to date, Staff's opinion is that there are customers who are harder to reach that may not be getting the message or participating in the energy efficiency programs. (See e.g., Staff Ex. 1.5, at 6-23 (206).) The net-to-gross ("NTG") ratios on the residential side in particular have

suffered. (See e.g., Staff Ex. 1.2, 7, 9.) While this may be an indication that the efficiency levels for these measures have become standard practice in Illinois and thus should be considered the baseline for purposes of cost-effectiveness screening,<sup>2</sup> it could also be the case that the energy efficiency programs are not reaching all of the customers paying for the energy efficiency programs, rather the EE programs may primarily be reaching those customers who were already planning to purchase the high efficiency measure before hearing about MidAmerican's rebates. Showing customers what they are paying for the energy efficiency programs each month could drive new customer participation in the EE programs (e.g., customers could start participating so they feel like they are getting their money's worth from the EE programs they are funding) and serve to maximize incremental energy savings and net benefits from the programs by driving participation from customers who are less familiar with energy efficiency – which is the goal of the programs. (Staff Ex. 1.0, 24.)

Finally, MidAmerican concedes that “whether energy efficiency rider amounts appear as separate line items on the bill should not affect energy efficiency’s usefulness as a tool to meet the State’s energy requirements.” (Staff Ex. 1.1, 17.) Staff agrees with this statement and recommends MEC’s waiver request be denied. (Staff Ex. 1.0, 24.)

### **III. Conclusion**

For the reasons set forth above Staff respectfully requests that the Commission’s Final Order in the instant proceeding approve MEC’s EE Plan, including the modifications

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<sup>2</sup> The baseline study recommended by Staff and agreed to by MEC will determine this.

to that Plan as recommended by Staff for which MEC does not object, and reject MEC's request for a waiver as consistent with Staff's recommendations in this Initial Brief.

Respectfully submitted,

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